

Message Text

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ORIGIN NEA-10

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TO AMEMBASSY TEHRAN

C O N F I D E N T I A L STATE 072597

E.O. 11652: GDS

TAGS: ENRG, ETRD, IR

SUBJECT: IRANIAN LNG PROJECTS

1. FROM NEA/ARN. BASED ON SOME INFORMAL DISCUSSIONS WITH
1. FROM NEA/IRN. BASED ON SOME INFORMAL DISCUSSIONS WITH
DOE AND INDUSTRY REPRESENTATIVES, IT APPEARS DOUBTFUL THAT
NEW PRICING FORMULA DEvised BY NIGC AND COLUMBIA (REFTEL)
WOULD SATISFY FERC REQUIREMENTS. REVISED ESCALATION
CLAUSE STILL CONTAINS LINKAGE TO OPEC, I.E. "CARTEL",
PRICES WHICH FERC WOULD HAVE DIFFICULTY ACCEPTING. (FYI
COLUMBIA'S ORLOFSKY SAYS 50 PERCENT OF PRICE IS LINKED
TO PERSIAN GULF CRUDE PRICES, NOT FUEL OIL AS MENTIONED
REFTEL. OTHER 50 PERCENT WOULD BE LINKED TO US CONSUMER
PRICE INDEX, HE SAYS. END FYI).

2. COLUMBIA HAS RECOMMENDED THAT NIGC CONSIDER LIMITING
PERCENTAGE INCREASE OF THAT PORTION OF ESCALATOR TIED TO
OIL PRICES IN EFFORT TO MAKE PRICE ADJUSTMENT MECHANISM
MORE ACCEPTABLE TO FERC. COLUMBIA HAS INFORMALLY
SUGGESTED SIX PERCENT ANNUAL INCREASE AS POSSIBLE "CAP".
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3. DISCUSSIONS ARE CONTINUING AND ORLOFSKY REMAINS
OPTIMISTIC THAT SALES CONTRACT COULD BE FINALIZED NEXT
MONTH.

4. THIS MESSAGE NEA DISTRIBUTION ONLY & FYI. VANCE

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NNN

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